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Toshihiko Yokoo, Mayor of Taku City

The Decentralisation Movement in Japan

Good morning distinguished guests, ladies and gentlemen. May I say what an honour it is to be invited here today to this wonderful seminar organised by the Sydney office of the Council of Local Authorities for International Relations. I am sure that I must have come the longest distance. I appreciate the sophisticated staff who have worked for the preparation of this seminar.

As you can see in the brochure, I am the mayor of Taku City. It is a small city situated in the centre of Saga prefecture on the island of Kyushu, the most southern one of the four main islands of the Japanese archipelago. At present I am also serving on the Decentralisation Reform Committee, which is part of the Cabinet Office of the Government of Japan. The Council has seven members, like the famous Japanese director Kurosawa's movie, "The Seven Samurai (warriors)". Indeed the media calls us "the seven samurai" for future reform. I like this neat expression.

By the way, among the members, I am the only mayor, so it seems as if I am a representative from the mayors' organization. However it is slightly different, I must say. Why so? I will tell you the hidden story before today's address. Please don't mention it to anybody, okay?

One day in January 2007, in the morning, before I left my home for my office in city hall, I received a telephone call. The man on the phone asked, "Are you the mayor of Taku City?" Of course I answered, "Yes I am." He said, "This is Suga speaking." I asked, "Which Mr. Suga speaking?" He answered, "I am the Minister of Internal Affairs, I met you the other day." At this moment, frankly speaking, I was surprised with the phone call. The Minister Mr. Suga said that he would like to ask me to serve as a member of the Decentralization Reform Committee team. He had already reached a final selection stage of the members, through discussion with the Prime Minister. He also explained the reason

why they chose and needed me, and their strategy on how they planned a program of decentralisation reform. He expressed the importance of so-called creative reforms and enthusiasm for exploring the future. In addition he said, “The Prime Minister and I chose you not because of the titles you held, but because of you as a person.” What strong persuasion. It works in all aspects of life, including romance. This made a big impact on me. We talked on the phone for a while. Finally, I was moved to decide on meeting their expectation.

Thus I should be considered an independent to some extent (not a representative of an organisation) and remain independent during discussion and investigation. My mission is to create an agenda for future decentralisation reform.

Even though I agreed to accept the mission, it was not enough to become a member of the Committee. The next step was to get the approval of both houses of National Parliament. All seven committee members had to be officially accepted by both the House of Representatives and the House of Councillors. It took some period of time to be cleared. Throughout the history of mankind there has been a tendency for reform-oriented people to be hated among those who hate reform, because of their reform-oriented philosophy and actions.

Although it must be so stupid and funny in this reform era, such tendency among people really exists among those who reject any change.

Thus I was formally appointed last spring by the Prime Minister with the approval of both houses of parliament. Its appointment date was April 2nd, the day after April Fools. But this was no joke.

This year, the city of Taku commemorates and celebrates the 300th anniversary of the building of a shrine dedicated to Confucius. Do you know Confucius? He was the influential scholar of politics and education about 2,550 years ago. His belief emphasizes human strength. All activities and any reforms in society can be made possible due to human power, intelligence, morals, sense of sympathy, humbleness to the truth, self control and so forth.

His disciples summed and wrote down his teachings into the book of “Rongo”.

In one of the Rongo stories, one of his followers apparently asked Confucius this question, “Which is the most important in politics or public administration: security, economic policy or trust of political governance?”

Which would you choose for an answer? His answer was trust. Essentially, without trust, government cannot even exist as a concept.

For us, as mayors or public servants, trust is of paramount importance in municipal administration and governance. Just imagine, without the trust of the people, we cannot administer our municipalities, nor can we expect people to continue paying their taxes for society. This is a very important guideline for us.

The process of decentralisation provides a platform for building a new phase of the administrative system. Above all I hope that process encourages creating trust among people of municipalities, and between administrators in local and central governments.

As a government administrator, I am always thinking of two principles; (1) the mission of politics or administration is to create our future, and (2) the mayor is the CEO of his or her city management.

I should apologize for such a long story for my introduction. But this is very rare speech from a Japanese mayor, so please do listen.

Now we have reached the beginning of today’s topic; The Decentralisation Movement in Japan.

To start my address today, let me introduce an outline of what I will be talking to you about.

First you can grasp the rough history of Japanese administrative reform. Then, you may understand the concept and basic philosophy of the Decentralization Reform Committee. I will also give you a more detailed framework and discussions within the committee.

And finally, you must understand the direction that our reform committee is going to follow.

Then afterwards you can predict Japan’s administrative future, I hope.

- Issues for Japanese government

To begin with, I would like to describe ten major problems confronting government administration in Japan. This is my personal point of view.

1: First is the imbalanced relationship between the central and local governments. As Mr. Ikeda explained, one third of tax revenue goes to local governments, but two thirds is utilized by local governments. The difference, one third of the annual budget, is provided to local governments in the form of grants and subsidies. But these are accompanied by many conditions and restrictions. It can be said that this is a form of control by the central government.

2: Another issue is the tendency of central government to treat local governments as a sub-contractor. At times, as much as 80% of the work carried out by prefectural governments and 60% of the work of municipal governments are administrative tasks delegated by the central government.

3: A third issue is the lack of its own revenue streams for local government. Most local governments are unable to generate more than around 30% of their own funds. We often use the phrase '30 % autonomy'. The majority of local governments are reliant on funding from the central government such as local allocation taxes.

4: A related problem is the common practice of deliberately exhausting the annual budget; i.e. a single year's revenue spent within the same year. Such custom has hindered productivity and cost accountability as well as good management and strategic planning.

5: Under such control and the tendency only to follow former examples and to avoid challenging work, government administration has become sick with decreasing vitality. Generally speaking, there is an unwillingness among government personnel to try something new. Often they are concerned only with keeping up with their neighbours. Sometimes they only copy their neighbour's policy. This sort of attitude discourages creativity and innovation. It can never create regional development.

6: Another issue, popular throughout the world, is bureaucratic red tape and lack of evaluation procedures. It should not be an over-statement that many local governments have no practical framework in place for evaluating personnel and tasks. There is an old saying in Japan, “Not to be late, not to stop/rest and not to work”. That is a typical ‘official working guideline’ from the old days. Of course I am being ironic. But it is waste of one’s life, don’t you think? And it is the same thing as to throw out valuable tax-payers’ money into the garbage.

7: Meanwhile, government administration has for many years been characterised by poor productivity because of a general lack of understanding of cost accountability and improving processes.

8: The Japanese Government is also hamstrung by factionalism and sectionalism among competing ministries and agencies. This affects the ability of government to make strategic decisions as a united entity and severely limits the effectiveness of government policy.

9: Then there is the issue of political corruption. Every new scandal involving misuse of funds only lose public trust and confidence in government, attracting further criticism and scrutiny and making the job of reform all the more difficult.

10: The tenth and final issue is the massive budget deficits of both central and local governments. While this is a question of fiscal policy, the central government will not be able to clear the debt any time soon. Some ministries think it would be better to give some authority to local governments with some portion of the budget deficit. This kind of perception among central government brought about one of the driving forces for decentralisation.

After listening to my analysis above, you might think that government in Japan is doomed or has many problems. On the contrary, I believe that our government is serving us well overall so far. I forced myself to analyse severely to bring about real revitalisation of our administration. These ten issues are based on my own experience in local government as CEO. In any case we need to change.

Dr. Charles Darwin mentions in his book, *The Origin of Species* that the species which survive are not the strongest nor the smartest, but those able to adapt to change. In the same way, management capable of adapting to change represents the best management to survive in today's changing world. We need management in our public administration. To produce better management, we need reform, and in particular the decentralisation reform should bring permanent power to each local government administration.

So far we investigated the problems in administration.

Now I would like to talk about the historical process of decentralisation in my country.

- The push for decentralisation

Since the Meiji Restoration in the latter half of the 19th century, Japan has been successful in terms of modernization by a centralised government administration. The centralised system itself originally began when the Tokugawa dynasty was established in 1601, during the beginning of the Edo period, more than 400 years ago.

300 hundred years ago, as I mentioned before, our ancestors were inspired to build a school and shrine to Confucius, which the Lord of Taku region had asked permission to build from the Tokugawa Shogun government through the senior local lord. They had been kept waiting for some years, therefore first the central government built a Confucius shrine and school, then the senior local lord built one, and finally the Lord of Taku was allowed to build the Taku Confucius shrine.

This is a story I had heard. But at the same time, this is a typical case of decision making within the centralized government structure.

The centralized administration system has brought significant benefits, most notably economic recovery and rapid economic growth which was a miracle in Japan during the latter half of the 20th century.

However as society has matured, we have been confronted with many serious problems, which increase the need for major reform.

Arguments for decentralisation reform first surfaced in the 1980s. People of every local region came to prefer decentralisation, seeking to utilize local identity, history and tradition towards its revitalization. A new stream is to replace the nationwide methodology of monopolized control with a system of decentralised regional governments each with local identities, uniqueness, conditions and local requirements.

For example, if a group of local residents and a bus company want to move a bus stop, they have to submit various documents to the central government, then wait for the necessary permits to be issued. The same outcome can be easily achieved much more quickly when local government is the controlling authority. Similarly, playground equipment such as swings, iron bars and slides in public parks have often been funded by central government grants from the Ministry of Education, so many playgrounds all end up looking the same. Decentralisation makes it quicker and easier to respond to such matters. The closer the government system is to its citizens, the more responsible the government can be.

Anyhow discussion about decentralisation was spread all over the nation. Many debates demonstrated that local government was the best entity to provide governance and service at the local level. Many also argued that the grants and subsidies system should be changed in the context of the overall reform, as a means of stamping out political corruption and eliminating wastage.

In 1993, both Houses of National Parliament in Japan adopted a resolution on decentralisation. This is when the decentralisation issue became a major topic of central government and politics.

There had been much debate on this topic in the past, but little action. However, this was also the time when the budget deficit of Japanese government was ballooning. The amount of debt was more than the central government could cope with. It soon became apparent that it would be necessary to transfer some of the authority for fiscal management over to local governments. Thus the Decentralisation Committee was established. This is a different committee from the one I belong to. And so the first wave of decentralisation reforms began.

With the enactment of the Omnibus Decentralisation Act in 2000, the traditional structure whereby local governments were subordinated to the central government was replaced with a more equal structure and the practice of delegating administrative tasks to local government was abolished.

Local governments were being forced to perform duties on behalf of the central government and at its peak, this practice accounted for around 80% of the work performed by prefectures and 50% - 60% of the work of municipalities. The type of work, the methodology, the standards and criteria were all determined by the central government. Prefectures and municipalities were responsible for implementation.

The reform process has officially abolished this practice. But this process has been carried out within agencies and is not well understood by the public. Furthermore, the overall reform process has been hindered by ministries and agencies to give priority to the easier or more acceptable aspects of reform.

Meanwhile, municipal amalgamations continue to take place. The total number of municipalities across the nation has already been slashed from nearly 3,300 to just 1,800.

In the last five years a new approach was introduced, dubbed the Trinity Reform — transferring authority for revenue gathering, overhauling grant and subsidy schemes and restructuring local allocation taxes. This has cut funding to local governments plunging many into serious financial difficulty. The flipside of this unfortunate outcome was a renewed intensity of debate on decentralisation, prompting a second wave of reforms. This included manifests by the ruling and opposition parties setting out a public commitment to reform, and the enactment of a new law on decentralisation.

The Decentralisation Reform Committee was also established as a direct result of the renewed debate. The Committee has seven members, including myself. I had an opportunity to meet with the Prime Minister

and other ministers in January 2007. Looking back, that meeting felt a bit like an interview.

We were officially appointed by the Prime Minister in April. He told us to present a bold plan and not be constrained by historical precedent. He also told us to develop a timetable and legislative proposals within the next three years, and promised that this would kick-start the beginning of major reforms.

The Committee has been asked to develop a set of basic philosophies for decentralisation and investigate how to implement, then present the Cabinet with recommendations and suggestions. We are also going to be creating a timetable for reforms and preparing legislative proposals.

The law stipulates that the Committee should be guided by two basic philosophies: allowing local governments authority over local issues, and promoting the autonomy and independence of local governments.

The deliberations of the Committee are focused on four main areas which are,

- (1) Realignment of roles and responsibilities for central and local governments
- (2) Review the intervention by central government such as the imposing of duties and obligations
- (3) Increase in local sources of taxation revenue
- (4) Overhaul of fiscal restructuring

Following its launch, the Decentralisation Reform Committee conducted intensive discussion sessions which culminated in the submission of the *Basic Philosophy* paper to the Prime Minister in May. The paper sets out the direction for decentralisation reform in Japan.

- *Basic Philosophy*

The document *Basic Philosophy* is predicated on a national governance model in which local governments fulfil a pivotal role, *Governing the nation from the regions*.

The integrity of local government is of paramount importance. In other words, local governments must be accorded all the necessary powers and authority in relation to administration, fiscal policy and legislation.

The general direction for decentralisation reform encompasses five key points.

- 1) First, we need a radical shift towards a decentralised approach designed to foster a diversity of regional values and regional characteristics predicated on the role of local communities.
- 2) Second, it is vital that local regions are granted the autonomy to make decisions and implement policies that are tailored specifically to the needs and characteristics of the region.
- 3) Third, the realignment of the roles of central and local governments must be accompanied by a radical overhaul of regional taxation and funding schemes.
- 4) Fourth, we need to eliminate duplication of tasks by government at both levels, while scaling back and/or abolishing local agencies of the central government such as the regional bureaus.
- 5) The fifth key point is that as an autonomous body local governments should be afforded a greater role in running the country with respect to governance, financial management, and legislative authority.

For these reforms to succeed, we need to understand and accept the notion that local communities, local government leaders and local assemblies are partners in local governance, and further that public servants should be imbued with a sense of mission and obligation to serve in this capacity.

Further to the points of general direction, the Committee set out five principles of decentralisation reform which establishes that,

(1) Priority should be given to local government.

(2) The delineation of roles between local and central governments must be clear and transparent.

(3) Local governments must provide administration with greater flexibility and responsibility on the basis of established regional administration and taxation structures.

(4) Full public disclosure of the financial costs and benefits will enable residents to make informed policy choices and decisions.

(5) A commitment to full information disclosure and transparency in government administration will enable local government leaders and assemblies to deliver better governance in line with their respective roles and faculties.

Our deliberations are founded on these five basic philosophies for successful decentralisation reform.

The focus of discussion will now shift to a comprehensive review of the roles and responsibilities of central and local governments.

The question of roles and responsibilities is predicated on the notion of government at the everyday level. The network of regional bureaus of the central government will be disbanded in order to reduce administrative duplication and discourage the practice of delegation.

We will examine the transfer of authority from central to local governments in line with the realignment of roles and responsibilities, as well as from prefectural to fundamental local governments. Our review will seek to relax or abolish the restrictions and obligations imposed under specific laws. We will also consider the use of by-laws to restructure the framework of implementing policies and projects in local government. Finally, we will look at upgrading the status of by-laws,

including the possibility of allowing by-laws to override national laws and ordinances.

Central government intervention under specific laws will be reduced to a minimum. Intervention associated with subsidies will be reviewed, along with associated administrative procedures, while a monitoring system will be introduced to discourage the imposition of new restrictions and obligations under national legislation.

The realignment of roles and responsibilities between central and local government must be accompanied by a redistribution of taxation revenue sources in line with the decentralisation model. A comprehensive review of taxation policy is required, encompassing the distribution of taxation revenue sources, national subsidies and local allocation taxes, in order to ensure that regional revenue sources are commensurate with the roles and responsibilities conferred on local government.

The Committee will also examine structural reform in the context of decentralisation, where the key issues include promoting administrative and financial reforms, improving fairness and transparency in government, boosting community participation and input and encouraging improvement.

The Committee has set out a statement outlining expectations of central and local governments. At the national level, leadership from the Prime Minister is vital. The new Decentralisation Promotion Task Force will need to be given the authority and capacity to formulate decentralisation reform programs and implement associated reform policies in line with the recommendations of the Decentralisation Reform Committee. Not only should the government be producing policies that conform to the principles of decentralisation, it must also avoid policies that contravene or violate these principles. Meanwhile, local government must strive to enhance transparency and purification in all aspects of administrative and financial operations, to nurture the trust and confidence of local communities, and to improve administrative capabilities and efficiencies.

The Chairperson of the Decentralisation Reform Committee has communicated the above information to the Prime Minister in the form

of the *Basic Philosophy* document, which was formally submitted on May 30 last year. The in-depth deliberations and discussions commenced in June. The Committee has held seven local discussion sessions in regional areas, and interviewed a number of municipal leaders. These interviews have provided the opportunity to hear first-hand about their problems and issues and their suggestions for decentralisation reform. We have also spoken with prefectural governors and the six major local government associations, as well as with representatives of the relevant central government ministries and agencies. The result of our extensive deliberations is the *Intermediate Report*, issued on November 16, 2007.

- Intermediate Report

The *Intermediate Report* serves as a general guide to the tone of future recommendations.

It begins by defining the fundamental meaning of reform under the heading, *The Principles of Decentralisation Reform*.

The first wave of decentralisation reforms was predicated on the basic principle of moving away from uniformity towards diversity by transforming the relationship between central, prefectural and municipal governments from one of command and subjugation to a structure based on equivalence and cooperation. Meanwhile, the scope of self-determination and responsibility afforded to local governments is gradually expanding. There is still a long way to go, however, and unfortunately the essential underlying relationship between the different levels of government remains unchanged at present.

Radical realignment of roles and responsibilities is therefore an urgent priority. Local governments need to be afforded greater freedom, backed by a framework that allows them to function as independent entities in creating and implementing policies and proposals.

To this end, local government must be granted greater authority to conduct its own affairs and greater responsibility for decision-making in

relation to government services, and also provided and strengthened with the necessary financial foundations.

Decentralisation reform strengthens both independent governance by authorities and community governance. Independent governance by authorities promotes the development of innovative solutions by local government. Community governance facilitates and coordinates information and encourages community participation in the decision-making process to ensure that the views and opinions of residents are heard, thereby upholding the democratic process.

Another important aspect of decentralisation is the transfer of authority to local governments over the formulation and enactment of legislation. This correlates directly with the political reform process, necessitating a radical overhaul of the structure and function of local government assemblies.

Finally, a framework should be put in place to encourage local governments functioning as independent entities to provide complementary support and coordination.

A more active role by local government would be promoted through,

- 1) Transfer of authority to local government
- 2) Greater authority in all areas
- 3) Comprehensive administration
- 4) Support for regional economic development
- 5) And people-oriented local governance through enhancing skill and competence

The next section of the *Intermediate Report* looks at concerns about decentralisation reform. This is particularly pertinent with regards to the united front of opposition from central government ministries and agencies, who maintain that decentralisation should be abandoned, with the central government retaining direct jurisdiction over regional areas

for reasons of consistency, efficiency and capacity. The Decentralisation Reform Committee does not give any credence to these vague and unfounded arguments against decentralisation.

The next section of the report deals with the people-oriented focus of decentralisation reform.

The first consideration in this regard is a review of the legal framework, which can be divided into three parts:

- (1) Review of obligations, restrictions and intervention by central government and greater power to enact by-laws;
- (2) Monitoring system for newly imposed obligations, restrictions and interventions; and
- (3) Legislation formalising the transfer of authority from prefectures to municipalities

Restrictions and obligations should be overhauled to allow local government greater freedom and flexibility. Similarly, local government should be afforded greater freedom to enact by-laws, together with the ability to make specific corrections and adjustments where appropriate.

The restrictions and obligations to be reviewed by the Decentralisation Reform Committee are those imposed by legislation, which prevent local government from enacting their own by-laws. A mandatory checking process would feature as the cornerstone of the review, which would be applied to all aspects of government administration at all ministries and agencies. Such an approach has never been tried before. It will have the added benefit of providing a broad overview of the institution of government, a sort of road map for reform.

Where ministries and agencies are unable to adequately justify the imposition of restrictions or obligations on local government, the restrictions or obligations in question will be automatically defined as unnecessary.

Similarly, government intervention in forms such as consent, permission, permits, approval and directives will be subject to a thorough review.

Despite efforts to scale back restrictions, obligations and government intervention, every year more of these appear in new laws and amended versions of existing laws. This situation limits the effectiveness of the reform process, which is why a monitoring system is necessary.

The Committee also feels that further transfer of authority from prefectural to municipal governments is warranted.

The second issue in relation to people-oriented government is the need for a radical overhaul of specific administrative fields and associated government activities. There are seven key areas and 11 other areas, as shown in the supplied documentation. One of the areas involves calls for a substantial transfer of power and authority to local government. Understandably, ministries and agencies reacted immediately when this was reported.

Naturally, there is a different history and background to every area. But this does not mean that we should be satisfied with the present situation; rather, it means that radical reforms are needed in these areas too. In some cases this will involve major transfers of authority to local government, while in other cases it will require breaking down the established conventions of central government. Resistance and objections are to be expected, but the Committee remains committed to developing a comprehensive program of detailed reform proposals.

The last issue to be mentioned is decentralisation reform and regional appeal, including problems in central city areas, as well as the issue of remote villages whose very survival is under threat. Further consideration is required in this area.

The next section of the Report deals with fiscal policy.

The first aspect of fiscal policy to be addressed is the funding balance between local and central governments.

The redesigned fiscal structure should be commensurate with the roles and responsibilities conferred on local government, and should provide local government with the financial foundations for genuine autonomous

operation. To this end, it is imperative that local governments receive a higher proportion of local taxes in overall tax revenue. The Committee feels that the 50-50 split of taxation sources between central and local governments, as proposed by local government, represents a viable option. There needs to be a comprehensive review of national subsidies, local allocation taxes and redistribution and transfer of taxation sources, based on the financial circumstances of governments at all levels and bearing in mind the general direction of taxation reform. The local fiscal structure must be consistent with the new duties and authorities of local government after decentralisation, including the issue of local government bonds.

Another key aspect of fiscal policy is to eliminate regional funding disparities.

Local governments throughout the nation should be striving to nurture vitality and aspiration in their area and stimulate local industry. But this cannot happen while regional disparities in funding levels exist. We must resolve the disparities as soon as possible. A new collaborative framework linking local governments should be taken into consideration to help reduce funding disparities. The skewed allocation of taxation sources must be reviewed in conjunction with the distribution of taxation sources, national subsidies, local allocation taxes and local government bonds.

The taxation structure should be reviewed with a view to increasing taxation at the regional level in accordance with the benefit principle of taxation. This will be necessary to spread the burden more widely, while reducing regional disparities and providing a more stable revenue base.

The third aspect is the fiscal burden associated with social infrastructure development.

One of the aims of decentralisation reform is to eliminate bureaucratic duplication between the different levels of government, particularly in the area of infrastructure development. Local governments should be given greater autonomy and discretionary power over their own affairs through initiatives such as clearly delineating the roles of central and

local governments in relation to infrastructure, limiting the scope of nationally subsidised projects, and scaling back or eliminating altogether the practice of forcing local governments to contribute to public works projects executed by the central government.

The reform process also needs to address the issue of subsidies by the treasury.

These subsidies tend to limit the autonomy of local governments, in both fiscal and policy terms, and are inherently inefficient. The subsidies should be eliminated altogether. Meanwhile, the distribution of national subsidies should be streamlined for greater efficiency and the delineation of roles between central and local governments should also be subject to review. In order to promote flexible and innovative use of funding, restrictions on the redirection of national subsidies to other projects should be reduced to a minimum and the procedures associated with funding should be simplified.

The final aspect of fiscal policy addressed by the report concerns fiscal discipline.

It is most important that local government exercise prudent and disciplined fiscal management. Local government can be made more accountable through reforms to public-sector accounting methodology, along with initiatives introduced under the Law Relating to the Financial Soundness of Local Governments to enhance the transparency of fiscal policy such as new financial indicators and external assessment. Local government assemblies should be subject to an increasing range of fiscal checks and balances, together with the introduction of external auditing procedures and greater powers for auditors in general.

The *Intermediate Report* also looks at the policy framework for the decentralisation, encompassing three key concepts:

- (1) Encouraging wide-area collaboration;
- (2) Reviewing the policy framework of major cities; and
- (3) Reviewing regional branches and bureaus of central government

In reviewing the regional branches and bureaus of central government, the Decentralisation Reform Committee will seek input from the Council on Economic and Fiscal Policy (CEFP). All ministries and agencies will be asked to provide justification for the existence of regional bureaus by March. Their feedback will be taken into consideration in future deliberations by the Decentralisation Reform Committee.

Finally, the *Intermediate Report* provides a list of expectations from governments at all levels, and indicates the direction of debate and discussion in the formulation of the Committee's final recommendations.

The *Intermediate Report* was formally submitted to the Prime Minister by the Chairperson of the Decentralisation Reform Committee on November 30. The Decentralisation Reform Task Force was convened soon after, and the Prime Minister urged all ministries and agencies to cooperate with the Committee in its investigations.

- Future deliberations

Following the release of the *Intermediate Report*, the Decentralisation Reform Committee has sought feedback from ministries and agencies in relation to a number of investigations including: the consolidation and/or abolition of regional bureaus; restrictions, obligations and intervention by central government; and a far-reaching review of individual areas of local government. The responses, due in March, will be incorporated into the Committee's deliberations. On the basis of interviews currently underway with ministries and agencies, it appears likely that the Committee will receive no responses whatsoever. This may complicate future deliberations somewhat.

Establishing an optimum distribution of taxation sources is critical to ensure the autonomy and independence of local government. The Committee will devote considerable time and resources to this issue.

The Committee plans to release a succession of recommendations starting from around March.

It is also important to galvanise public support for decentralisation reform. To this end, the Chairperson and other members of the Committee are using all available opportunities to deliver speeches and lectures on the subject.

Political resolve will also be tremendously important. Resistance will surely be encountered, but the Diet can overcome resistance provided that it exhibits the required resolution and determination. The Committee believes that decentralisation reform can only proceed on the basis of the understanding and support of the parliament and the general public.

Debate on the regional system has already begun at a number of levels. The central government has appointed a minister to oversee this area, with deliberations under way among a select discussion group. Meanwhile, the Council of Mayors in Kyushu has set up a committee, of which I am the chairperson, to provide recommendations regarding the implementation of the regional system in Kyushu. This debate is starting to filter across into the business world. In addition, the 29th Local Government System Research Council is also meeting to discuss the ramifications for local government administrative structures. It will release an intermediate report by the end of the year, as will the ministerial discussion group and the Council of Mayors in Kyushu committee.

In this way, the decentralisation debate is in full swing in Japan. Debate is extremely healthy. The more discussion we have, the greater the range of opinions and views that can be heard, the better the ultimate outcomes for our nation. It will be fascinating indeed to see how it unfolds in the months and years ahead.

Local government has been called the school of democracy. Likewise, decentralisation reform in Japan could be called the school of creating the future. We need wisdom to understand all the possibilities that the future holds, the confidence to have faith in our efforts, and the courage to face future unknowns.

- In conclusion

Confucius told us not to take the narrow road. Nothing is ever easy; there are no short cuts in life. For those things that are truly important, we must take the proper path, the righteous way.

In the political field, meanwhile, Confucius also said, “When those who are near are made happy, those who are far are attracted.” He taught us that good governance, by its very nature, will please the people and bring them from far and wide.

I think these Confucian teachings are pertinent to the current decentralisation debate and its implications for local government. The pursuit of reform and improvement underpins our mission to build a better future while at the same time displaying due respect for the wisdom of our elders.

Thank you for your time today.